

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 23-084

**LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP.
d/b/a LIBERTY-KEENE DIVISION**

Winter 2023/2024 Cost of Gas Filing

Order Establishing Cost of Gas Rates

ORDER NO. 26,900

October 31, 2023

In this order, the Commission approves Cost of Gas (COG) rates for the 2023-2024 winter period. The costs for the winter periods are reflective of commodity prices, hedging, and Liberty-Keene's gas transportation, storage, and peaking strategies.

Residential Rates (per therm)

Winter Rates

| | Proposed Rates | Prior Year (weighted average) Rates | Change |
|-------------|----------------|-------------------------------------|------------|
| Cost of Gas | \$1.4007 | \$2.0492 | (\$0.6485) |

Turning from the rates in the table above to bill impacts, this winter residential heating customers can expect to pay 22.4% less than last winter based on weighted-average rates in the prior year periods.

Gas commodity costs incurred by Liberty-Keene in making purchases to serve its customers are passed through without a markup in the COG tariff rates. The Commission does not administratively set the prices offered by wholesale gas suppliers or ancillary service providers to serve Liberty-Keene's customer load. These prices are set by the suppliers and service providers themselves, informed by prevailing market conditions, where Liberty-Keene endeavors to procure a reliable gas supply at the

lowest cost. The Commission oversees this procurement process as part of this proceeding and approves the resultant rates under the governing statutory standards.

I. PROCEDURAL HISTORY

On September 15, 2023, Liberty-Keene filed a winter 2023/2024 cost of gas (COG) filing outlining its proposed COG for the winter period (November 1, 2023, through April 30, 2024).

On September 22, 2023, the New Hampshire Department of Energy (DOE) filed a notice of appearance. On September 25, the Office of the Consumer Advocate (OCA) filed a letter of participation.

The Commission commenced an adjudicative proceeding and provided notice of hearing order on September 27, 2023, scheduling a hearing on this matter for October 19, 2023. There were no intervenors.

The hearing was held on October 19, 2023, as scheduled, and representatives of Liberty-Keene, the DOE, and the OCA appeared.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-084.html>

II. BACKGROUND AND OVERVIEW OF LIBERTY'S COG REQUESTS

The Cost of Gas adjustment mechanism was implemented in 1974 during a time of rapidly changing prices to reflect increases and decreases in energy supply costs in customer rates without having to go through extended proceedings to change fuel delivery rates. Liberty-Keene has limited control over the market price of propane and natural gas, which are an unregulated commodities. Similarly, it has limited control over items such as fuel transportation. The COG adjustment mechanism

allows Liberty-Keene to pass those costs on to its customers directly and efficiently without mark-up or profit. For Liberty-Keene, COG rates are initially set using projected costs and sales for the upcoming winter period, which runs from November 1 through April 30.

Through the COG adjustment mechanism, Liberty-Keene may adjust COG rates monthly to incorporate changes in the propane and natural gas markets based on actual costs to date and projected costs for the remainder of the period. While there is no limitation on reductions to COG rates, rates may be adjusted upward without Commission action up to a cumulative maximum of 25 percent above the approved rate. To the extent that adjustments are based on projected costs, they are subject to periodic reconciliation, after all actual costs are known and reported.

As in prior years, Liberty-Keene offered customers the opportunity to lock in a specific price per therm for winter gas supply through its FPO program. Under the program, a customer pays one price per therm for the gas supply portion of the monthly bill from November 1 through April 30, regardless of market-price fluctuations. That price is set two cents higher than the initial rate proposed for non-FPO customers. The non-FPO COG rate fluctuates with market prices and is subject to monthly increases or decreases. Liberty-Keene proposed a residential and C&I FPO program rate of \$1.4207 per therm, and a Low Income residential FPO program rate of \$0.7904 per therm.

The impacts of Liberty's proposals on the winter and summer bills of a typical residential heating customer are summarized in the tables below:

| Winter Bill | <u>Proposed vs 2022-23</u> | | | |
|--------------------|----------------------------|------------|------------|----------|
| | Proposed 2023-24 | 2022-23 | \$ | Change % |
| Base Rate | \$368.00 | \$383.74 | (\$15.74) | -4% |
| COG | \$626.12 | \$915.98 | (\$289.86) | -31.6% |
| LDAC | \$52.74 | \$49.47 | 3.27 | 0.2% |
| Winter Total | \$1,046.86 | \$1,349.00 | (\$302.32) | -22.4% |

III. POSITIONS OF THE PARTIES

Liberty requested approval of its proposed rates. In a written technical statement and a statement made at the hearing, the DOE indicated that it was generally supportive of Liberty's COG proposals. With respect to the FPO rate, the DOE recommended approving Liberty's proposed winter FPO rate notwithstanding other issues related to the FPO offered by EnergyNorth in Docket No. DG 23-076.

At hearing, the OCA generally supported the DOE's positions. With respect to the FPO option, the OCA filed a written position statement. The OCA supported the withdrawal of the FPO option for all Liberty gas customers, both on its core system and in its Keene Division.

IV. COMMISSION ANALYSIS

The Commission does not administratively fix the market prices for gas commodities or ancillary services for Liberty-Keene or any other gas utility in our State; the offer prices of the wholesale gas, transportation, and storage suppliers participating in the American gas market, responding to prevailing market conditions, drive this outcome. The Commission does, however, oversee the process used by Liberty-Keene for its gas portfolio development, and its calculation of the resultant COG rates, for compliance with statutes, Commission rules and orders, as well as technical accuracy, to ensure just and reasonable rates within this market-driven

framework. Likewise, the Commission oversees Liberty's calculation of the LDAC components, and the accuracy thereof, to ensure just and reasonable rates.

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express authority. *See Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-66 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. *See Northern Utilities, Inc.*, Order No. 25,891 (April 29, 2016). In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8.

Based on our review of the record in this docket, the procurement process employed by Liberty-Keene, and the supporting review provided by the DOE, we find the proposed 2023-2024 winter COG rates just and reasonable and therefore approve them. The process employed by Liberty-Keene is market-based and the resulting rates reflect current conditions in the propane and natural gas markets. Because the COG rate components are reconciled each year, any adjustments needed to reconcile actual costs and revenues will be made in filings for rates effective later in 2024 and 2025. In addition, any issues discovered during DOE audits, either pending or future, should be raised to Commission if not resolved between Liberty-Keene and the DOE.

With respect to the FPO rates, we conclude that because the program is described in Liberty's tariff and has already been offered to customers this year, it should not be withdrawn absent further processes to consider such a change on a prospective basis.

As in the past, Liberty-Keene may, without further Commission action, adjust its approved COG rates based on the projected over- or under-collection for the period,

the adjusted rate to be effective the first day of the month and not to exceed 25 percent above the approved rate.

Based upon the foregoing, it is hereby

ORDERED, that Liberty’s 2023-2024 winter period COG per therm rates effective for service rendered on or after November 1, 2023, are approved as indicated in the table that follows; and it is

| | Winter 2023-2024 | Winter Maximum Rates |
|-----------------------------|---------------------|----------------------------|
| Residential | \$1.4007 | \$1.7509 |
| Residential (GAP) | \$0.7814 | \$0.9630 |
| C&I - LLF (High winter use) | \$1.4007 | \$1.7509 |
| C&I - HLF (Low winter use) | \$1.4007 | \$1.7509 |
| Residential FPO | \$1.4207 | |
| Residential FPO (GAP) | \$0.7904 | |
| C&I FPO | \$1.4207 | |

FURTHER ORDERED, that Liberty-Keene may, without further Commission action, adjust its approved COG rates based on the projected over- or under-collection for the period, the adjusted rate to be effective the first day of the month and not to exceed a maximum rate of 25 percent above the approved rate (said maximum rates identified in the table above), with no limitations on reductions to the COG rates; and it is


FURTHER ORDERED, that Liberty-Keene shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five business days prior to the first day of the subsequent month. Liberty-Keene shall include revised Calculation of the Firm Sales Cost of Gas Rate annotated tariff pages and

revised rate schedules under separate cover letter if Liberty-Keene elects to adjust COG rates, with revised annotated tariff pages to be filed; and it is

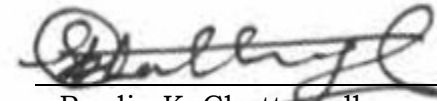
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted monthly; and it is

FURTHER ORDERED, that Liberty-Keene shall file annotated tariff pages as required by N.H. Code Admin. R., Puc 1603 conforming to this order within fifteen (15) days of the date of this order, or November 15, 2023.

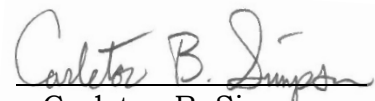
By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2023.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-084

Printed: 10/31/2023

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